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Consumption of milk continues to run above a year earlier, production is about the same and prices to farmers are a little higher.

There are several reasons for the boost in milk consumption...special government programs...merchandising efforts of dairy industry...lower retail prices...higher consumer income. These factors probably will continue to hold consumption above 1954 the rest of this year.

Milk output in May topped the 13 billion pound mark for first time on record. Total for 1955 to date is a little below 1954. Farmers are getting record output per cow...milk-ing slightly fewer cows. Production for the year is expected to be close to last year's total.

Greater use, about the same output has meant a smaller surplus so far this year. Products bought by the government for price support are equivalent to about a fifth less whole milk than in same period last year.

Prices to farmers for milk in April and May were above a year earlier for first time since late 1952. A larger proportion of the milk was used for bottling which helped raise the average. Price support purchase prices for cheese and nonfat dry milk were up a little. Not much change in prices of milk and butterfat is likely the rest of 1955.

Slight gain in milk prices, a drop in feed prices has improved milk-feed price ratio for dairymen. In May, a pound of milk was equal in value to 1.12 pounds of feed concentrates compared with 1.03 pounds a year earlier and the average of 1.14. Butterfat-feed ratio also has increased.

Value of milk also has increased relative to value of alternative products. A pound of condensery milk was worth .18 pounds of beef in May, equalling the average for the first time since 1948. Condensery milk-hog price ratio has increased sharply the last year and also is up to average.

ECONOMIC ACTIVITY: Rising production and income continue to mark the economic situation. The Nation's factories and mines have boosted output slightly above the 1953 peak. Employment has picked up more than seasonally this spring and increased numbers of workers are putting in a longer week. Consumer income is continuing its climb to new peaks. Buying at retail stores has picked up even more than income. Borrowing has increased and credit outstanding is now around peak levels relative to income, though only slightly above a year ago.

With supplies generally adequate, prices have been steady. Retail prices, including those paid by farmers, and wholesale prices average near the levels of a year ago. Prices received by farmers have been fairly steady so far this year at a level about 5% lower than in the first 5 months of 1954.

LIVESTOCK: Recent rains improved pasture prospects over much of the country... make

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it unlikely that we'll get the spurt in grass cattle marketings that occurred last summer as a result of drought. But marketings will increase seasonally and prices probably will weaken.

Hog prices, rising slowly the last several weeks, probably will remain at the seasonally high level until late summer.

POULTRY AND EGGS: Egg production is likely to stay above a year earlier for a couple of months. Later, output will begin to decline from a year ago because of reduced number of chicks bought for laying flock replacement last spring.

Recent chick placements point to record supplies of broilers in August. Prices through early June were well above a year ago.

In the first 5 months of this year, 6 percent fewer heavy-breed turkeys and 31 percent fewer light breeds were hatched.

SOYBEANS: Exports in October-May totaled about 46 million bushels, 9½ million more than a year earlier. Oil prices strengthened the last month but meal prices are down to the lowest level since 1946. Marketings of beans by farmers have increased in recent weeks and prices have declined.

FEED: A large part of the big stocks of corn are held under price support and prices this summer probably will continue firm. Declines for oats and barley are expected as these crops are harvested this summer.

WHEAT: A crop of 845 million bushels was in prospect on June 1, less than is likely to be used in the U. S. and exported in 1955-56.

The national average support price for wheat in 1955-56 will be not less than \$1.81 per bushel, if quotas are approved in the referendum June 25. This is 76% of the estimated parity level. If quotas are rejected, the support level would be 50% of parity, or about \$1.19 per bushel, on the basis of present parity estimates.

FRUIT: Much bigger crops of sweet cherries and apricots are expected to be harvested this year than last. The crops of fresh plums and grapes also may be up. But fresh peaches will be in much smaller supply. The crops of most deciduous fruits harvested after mid-summer are expected to be at least as large as last year on the basis of growing conditions in June.

VEGETABLES: The late spring potato crop is up 14% from last year and the early commercial summer crop is up a fifth. Prices at important shipping points were declining in late May and early June.

COTTON: The carryover next August 1 is expected to total about 11 million bales, compared with 9.7 million a year earlier and the postwar peak of 11.2 million in 1945. The gain over 1954 reflects the 1.4 million bale increase in supply.

TOBACCO: Tobacco leaf exports for the year ending June 30 are expected to total a little above the 512 million pounds of 1953-54. A further increase is expected in 1955-56.